

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* STANNARD TOWNSHIP	County* ONTONAGON	Type* TOWNSHIP	MuniCode* 66-1-110
Opinion Date-Use Calendar* Sep 17, 2008	Audit Submitted-Use Calendar* Sep 26, 2008	Fiscal Year End Month* 03	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/> ?	18. Are there reported deficiencies? <input checked="" type="checkbox"/> 19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="checkbox"/> ? \$ 145,495.00
General Fund Expenditure:	<input type="checkbox"/> ? \$ 110,231.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	<input type="checkbox"/> ? \$ 171,882.00
Governmental Activities Long-Term Debt (see instructions):	<input type="checkbox"/> ? \$ 135,000.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* ROGER	Last Name* KOLEHMAINEN	Ten Digit License Number* 110101820		
CPA Street Address* 1445 EAST US 2	City* IRONWOOD	State* MI	Zip Code* 49938	Telephone* +1 (906) 932-3600
CPA Firm Name* KOLEHMAINEN PC	Unit's Street Address* PO BOX 216	Unit's City* BRUCE CROSSING	Unit's Zip* 49912	

**STANNARD TOWNSHIP
BRUCE CROSSING, MI
ONTONAGON COUNTY
FINANCIAL REPORT
With Supplemental Information**

March 31, 2008

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MANAGEMENT'S DISCUSSION AND ANALYSIS
STANNARD TOWNSHIP
(Unaudited)
Year ended March 31, 2008

Management's Discussion and Analysis

This section of the Stannard Township's (Township) annual financial report presents our discussion and analysis of the Township's financial performance during the year ended March 31, 2008. It is to be read in conjunction with the Township's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Government* and is intended to provide the financial results for the fiscal year ending March 31, 2008.

Government-wide Financial Statements

The Government-wide financial statements appear first in the financial report. These financial statements include the statement of net assets and the statement of activities. They report information about the Township as a whole. The statements are prepared using the accrual basis of accounting which is the accounting used by most private sector businesses. The statement of net assets includes all of the Township's assets and liabilities except fiduciary funds. All current year revenues and expenses are reported in the statement of activities. The two statements report the governmental activities of the Township that include all services performed by the Township. These activities are funded mostly by State and Federal revenue sharing, property taxes and charges for services.

The statement of net assets, as stated previously, shows the Township's assets and liabilities. The corresponding balance between the amounts calculates the net assets or deficit of the Township. This statement measures the financial strength of the Township; the greater the net asset figure, the healthier the Township generally is. This shows if the Township will be able to fund their current obligations and shows what they have available for future use.

The statement of activities shows the current year change in net assets on revenue less expense basis. It generally shows the operating results for a given year of the Township. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net assets (or reduces a deficit) available to fund future needs of the Township. Any deficiency of revenues over expenditures results in a deficit for the year that in turn reduces the net assets (or increases a deficit) of the Township.

MANAGEMENT'S DISCUSSION AND ANALYSIS
STANNARD TOWNSHIP
(Unaudited)

Fund Financial Statements

The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. In the basic financial statements, the emphasis of the fund financial statements is on major funds. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating the Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In order to provide the reader with information to better understand the long-term impact of the government's near-term financing decisions, a reconciliation between the government-wide financial statements is included as part of the basic financial statements.

The Township maintains two governmental funds. Information is presented separately in the government fund balance sheets and governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund and Fire Fund (considered major funds). To demonstrate compliance with their adopted budget, a comparison has been provided under the "Other Financial Information" section of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS
STANNARD TOWNSHIP
(Unaudited)

Proprietary Funds

Proprietary Funds provide services for which the Township charges customers a fee. The enterprise funds of the Township are used to report the same functions as the business-type activities in the government-wide financial statements. The Sewer Fund is presented in both the government-wide financial statements and the fund financial statements and is considered a major fund. Enterprise funds are used to account for operations very similar to business enterprises, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefits of parties outside the government. The fiduciary fund for the Township is the Tax Collection and Pension Funds. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. This fund is presented separately in the fund financial statements section of the basic financial statements.

Notes to Financial Statements

Notes to the financial statements are included in the financial statements, and provide additional information that is essential for a full understanding of the data provide in the government-wide and the fund financial statements.

Government-wide Financial Statements-Condensed Financial Information

Statement of Net Assets

The following is a condensed statement of net assets with a detailed analysis of the statement below as of March 31, 2008 and 2007.

		<u>March 31, 2008</u>	
	Governmental	Business-Type	
ASSETS	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Current Assets:			
Cash and equivalents	\$184,868	\$119,133	\$304,001
Other assets	32,570	20,881	53,451
Non-current Assets			
Restricted cash			
Capital Assets, net	436,583	69,835	506,418
TOTAL ASSETS	<u>\$654,021</u>	<u>\$209,849</u>	<u>\$863,870</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
STANNARD TOWNSHIP
(Unaudited)

	<u>March 31, 2008</u>		
	Governmental	Business-Type	
LIABILITIES	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Current Liabilities	\$17,975	\$6,445	\$24,420
Non-current Liabilities	127,000		127,000
TOTAL LIABILITIES	144,975	6,445	151,420
NET ASSETS			
Investment in capital assets net of related debt	436,583	69,835	506,418
Restricted	28,570		28,570
Unrestricted	43,893	133,569	177,462
TOTAL NET ASSETS	509,046	203,404	712,450
TOTAL LIABILITIES AND NET ASSETS	\$654,021	\$209,849	\$863,870

For governmental activities, net assets increased by \$27,334 during the fiscal year. For business-type activities, net assets increased by \$11,712 during the year.

	<u>March 31, 2007</u>		
	Governmental	Business-Type	
ASSETS	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Current Assets:			
Cash and equivalents	\$169,027	\$94,422	\$263,449
Other assets	100,373	17,189	117,562
Non-current Assets			
Restricted cash			
Capital Assets, net	456,782	81,050	537,832
TOTAL ASSETS	\$726,182	\$192,661	\$918,843
LIABILITIES			
Current Liabilities	\$109,470	\$969	\$110,439
Non-current Liabilities	135,000		135,000
TOTAL LIABILITIES	244,470	969	245,439
NET ASSETS			
Investment in capital assets net of related debt	314,782	81,050	395,832
Restricted	16,432		16,432
Unrestricted	150,498	110,642	261,140
TOTAL NET ASSETS	481,712	191,692	673,404
TOTAL LIABILITIES AND NET ASSETS	\$726,182	\$192,661	\$918,843

MANAGEMENT'S DISCUSSION AND ANALYSIS
STANNARD TOWNSHIP
(Unaudited)

Statement of Activities

The results of operations for Stannard Township as a whole are reported in the statement of activities. This statement reports the changes in net assets for both governmental and business-type activities. The following is a condensed statement of activities for the years ended March 31, 2008 and 2007.

	Governmental Activities	<u>March 31, 2008</u> Business-Type Activities	<u>Total</u>
REVENUES			
Program Revenues:			
Charges for services	\$24,392	\$36,668	\$61,060
General Revenue:			
Property taxes	35,272		35,272
State and federal grants	75,361		75,361
Other	34,399	6,762	41,161
Total Revenue	\$169,424	\$43,430	\$212,854
EXPENSES:			
Program Expenses:			
Governmental activities	\$142,090		\$142,090
Business-type activities		\$31,718	31,718
Total Expenses	\$142,090	\$31,718	\$173,808
Increase (Decrease) in Net Assets	27,334	11,712	39,046
Net Assets, Beginning of Year	481,712	191,692	673,404
Net Assets, End of Year	\$509,046	\$203,404	\$712,450

MANAGEMENT'S DISCUSSION AND ANALYSIS
STANNARD TOWNSHIP
(Unaudited)

	Governmental <u>Activities</u>	<u>March 31, 2007</u> Business-Type <u>Activities</u>	<u>Total</u>
REVENUES			
Program Revenue:			
Charges for services	\$19,928	\$36,171	\$56,099
General Revenue:			
Property taxes	32,670		32,670
State and federal grants	214,372		214,372
Other	21,725	5,787	27,512
Total Revenue	288,695	41,958	330,653
Program Expenses:			
Governmental activities	\$127,153		\$127,153
Business-type activities		\$24,416	24,416
Total Expenses	\$127,153	\$24,416	\$151,569
Increase (Decrease) in Net Assets	161,542	17,542	179,084
Net Assets, Beginning of Year	320,170	174,150	494,320
Net Assets, End of Year	\$481,712	\$191,692	\$673,404

Governmental Activities

Property taxes and other tax revenues comprise \$35,272 or approximately 21 percent of total governmental revenues, whereas, the Township received State and Federal Shared revenues of \$216,497 (45%) and donations of \$25,353 (15%) accounted for the majority of revenues.

The Township expended \$129,983 on governmental programs and services.

MANAGEMENT'S DISCUSSION AND ANALYSIS
STANNARD TOWNSHIP
(Unaudited)

Business-Type Activities

Business-type activities increased the Township's net assets by \$11,712. Charges for services for sewer activities for the year were \$36,668; interest income of \$2,991 and sewer assessments of \$3,771 were recognized as current year receipts. Operating expenditures amounted to \$31,718.

Financial Analysis of Governmental Funds

As previously noted, the Township uses fund accounting to ensure and demonstrate compliance with finance-related requirement.

Governmental Funds

The focus of the Township's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year. The Township's general fund and fire fund balance sheet reported unreserved fund balances of \$143,312 and \$37,438 as of March 31, 2008, which is available for spending at the government's discretion.

Proprietary Fund

The Township's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer Fund as of March 31, 2008 were \$133,569.

Capital Assets and Debt Administration

The Township's investment in capital assets, net of accumulated depreciation for its governmental and business-type activities as of March 31, 2008 was \$506,418.

Major capital expenditures for governmental funds were for the purchase of a land costing \$3,250 and fire department equipment at a cost of \$3,575. The Proprietary Fund incurred no capital purchases/additions.

MANAGEMENT'S DISCUSSION AND ANALYSIS
STANNARD TOWNSHIP
(Unaudited)

The Township had \$135,000 of long-term liabilities at March 31, 2008 of which \$8,000 is reclassified as current maturity on long-term debt. This amount consists of a bond payable in the financing of a fire truck.

Other Economic Factors and Next Years Budget

Economic Factors

Currently, the State of Michigan is experiencing a severe budgetary crisis. As such, it is anticipated that future state cuts will likely translate into strategic reductions of Township expenses to maintain a sound budget. Despite the poor outlook of the state's budget, the Township will continue to strive to provide good social and cultural conditions that support healthy families and maintain a safe and clean community in which to live.

Request for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Township Supervisor
Stannard Township
PO Box 216
Bruce Crossing, MI 49912

Roger J. Kolehmainen CPA PC

1445 East Cloverland Drive

Ironwood, MI 49938

(906) 932-3600

INDEPENDENT AUDITOR'S REPORT

Supervisor and Members of the Board
Stannard Township
Bruce Crossing, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Stannard Township as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Stannard Township as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated September 17, 2008, on our consideration of Stannard Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10, are not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Stannard Township's basic financial statements. The accompanying "Other Financial Information" is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



Roger J. Kolehmainen PC
Certified Public Accountant

Ironwood, Michigan
September 17, 2008

STANNARD TOWNSHIP
STATEMENT OF NET ASSETS

March 31, 2008

	<u>Governmental Activities</u>	<u>Business – Type Activities</u>	<u>Totals</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$184,868	\$119,133	\$304,001
Accounts receivable-net	17,562	19,884	37,446
Delinquent taxes receivable	5,035		5,035
Due from other funds	261		261
Accrued interest income	252	177	429
Deferred charges	9,460	820	10,280
TOTAL CURRENT ASSETS	217,438	140,014	357,452
NON-CURRENT ASSETS			
Capital assets	484,319	443,838	928,157
Accumulated depreciation	(47,736)	(374,003)	(421,739)
TOTAL NON-CURRENT ASSETS	436,583	69,835	506,418
TOTAL ASSETS	\$654,021	\$209,849	\$863,870
LIABILITIES			
Current Liabilities:			
Accounts payable	\$4,559	\$5,646	\$10,205
Accrued wages/taxes	3,559	550	4,109
Accrued interest payable	1,857		1,857
Due to other funds		249	249
Current maturity on long-term debt	8,000		8,000
TOTAL CURRENT LIABILITIES	17,975	6,445	24,420
NON-CURRENT LIABILITIES			
Bonds payable	135,000		135,000
Current maturity on long-term debt	(8,000)		(8,000)
TOTAL NON-CURRENT LIABILITIES	127,000		127,000
TOTAL LIABILITIES	144,975	6,445	151,420
NET ASSETS			
Investment in capital assets, net of related debt	436,583	69,835	506,418
Reserved	28,570		28,570
Unreserved	43,893	133,569	177,462
TOTAL NET ASSETS	509,046	203,404	712,450
TOTAL LIABILITIES & NET ASSETS	\$654,021	\$209,849	\$863,870

The accompanying notes are an integral part of the financial statements.

STANNARD TOWNSHIP
STATEMENT OF ACTIVITIES
Year Ended MARCH 31, 2008

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>	Net (Expense) Revenue
Governmental Activities			
General government	\$67,826	\$12,401	(\$55,425)
Public safety	44,074	7,600	(36,474)
Public works	7,516		(7,516)
Recreation and culture	13,712	4,391	(9,321)
Other	8,962		(8,962)
Total Governmental Activities	142,090	24,392	(117,698)
Business-type Activities			
Sewer	31,718	36,668	4,950
Total Business – type Activities	31,718	36,668	4,950
Total	\$173,808	\$61,060	(\$112,748)

Changes in Net Assets

	<u>Governmental Activities</u>	<u>Business – Type Activities</u>	<u>Total</u>
Net (Expense) Revenue	(\$117,698)	\$4,950	(\$112,748)
General Revenues:			
Property taxes	35,272		35,272
Federal shared revenues	15,075		15,075
State-Shared revenues	60,286		60,286
Investment income	3,591	2,991	6,582
Sewer assessments		3,771	3,771
Other	30,808		30,808
Total General Revenues and Transfers	145,032	6,762	151,794
Changes in Net Assets	27,334	11,712	39,046
Net Assets at Beginning of Year	481,712	191,692	673,404
Net Assets at End of Year	\$509,046	\$203,404	\$712,450

The accompanying notes are an integral part of the financial statements.

STANNARD TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS

March 31, 2008

	<u>General</u>	<u>Fire</u>	<u>Totals</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$150,332	\$34,536	\$184,868
Accounts receivable-net	17,562		17,562
Delinquent taxes receivable	3,091	1,944	5,035
Due from other funds	12	958	970
Accrued interest income	252		252
Deferred charges	9,460		9,460
TOTAL CURRENT ASSETS	180,709	37,438	218,147
NON-CURRENT ASSETS			
Restricted cash			
TOTAL NON-CURRENT ASSETS			
TOTAL ASSETS	\$180,709	\$37,438	\$218,147
LIABILITIES			
Current Liabilities			
Accounts payable	\$4,559	\$	\$4,559
Accrued wages/taxes	3,559		3,559
Due to other funds	709		709
TOTAL CURRENT LIABILITIES	8,827		8,827
TOTAL LIABILITIES	8,827		8,827
FUND EQUITY			
Reserved	28,570		28,570
Unreserved	143,312	37,438	180,750
TOTAL FUND BALANCES	171,882	37,438	209,320
TOTAL LIABILITIES & FUND BALANCES	\$180,709	\$37,438	\$218,147

The accompanying notes are an integral part of the financial statements.

STANNARD TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year ended March 31, 2008

	<u>General</u>	<u>Fire</u>	<u>Total Governmental Funds</u>
REVENUES:			
Taxes	\$17,927	\$16,422	\$34,349
Other taxes	923		923
Tax administrative fees	10,445		10,445
Licenses and permits	4,975		4,975
Rentals	6,347		6,347
Federal shared revenues	8,900	6,175	15,075
State shared revenues	60,286	975	61,261
Donations	25,000	353	25,353
Interest	3,587	4	3,591
Sale of assets	4,010		4,010
Other revenue	3,095		3,095
	145,495	23,929	169,424
EXPENDITURES			
Legislative	18,406		18,406
General government	48,423		48,423
Public safety	16,870	2,954	19,824
Public works	5,968		5,968
Recreation and culture	13,483		13,483
Other	3,831		3,831
Capital outlay	3,250	3,575	6,825
Debt service		13,223	13,223
	110,231	19,752	129,983
EXCESS OF REVENUES (EXPENDITURES)	35,264	4,177	39,441
OTHER FINANCING SOURCES (USES)			
Transfers to/from other funds			
EXCESS OF REVENUES (EXPENDITURES) AND OTHER FINANCING USES	35,264	4,177	39,441
Fund Balance at 3/31/2007	136,618	33,261	169,879
FUND BALANCE 3/31/ 2008	\$171,882	\$37,438	\$209,320

The accompanying notes are an integral part of the financial statements.

STANNARD TOWNSHIP
RECONCILIATION OF THE GOVERNMENTAL FUND TYPES STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
WITH THE STATEMENT OF ACTIVITIES

March 31, 2008

Continued

Total fund equity of governmental activities	\$209,320
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Amounts reported for governmental activities in the
Statement of Net Assets are different because:

Additions:

Capital assets used in governmental activities are not
Financial resources and therefore are not reported as
assets in Governmental funds.

Cost of capital assets	484,319	
Accumulated depreciation	(47,736)	436,583

Reductions:

Long-term liabilities are not due and payable in the
current period and therefore not reported as liabilities in
the funds.

Note payable	(135,000)	
Accrued interest payable	(1,857)	(136,857)

Total Net Assets of Governmental Activities	<u>\$509,046</u>
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The accompanying notes are an integral part of the financial statements.

STANNARD TOWNSHIP
STATEMENT OF NET ASSETS
PROPRIETARY FUND

March 31, 2008

ASSETS	<u>Totals</u>
CURRENT ASSETS:	
Cash and cash equivalents	\$119,133
Accounts receivable-net	19,884
Accrued interest income	177
Deferred charges	820
Total Current Assets	<u>140,014</u>
NONCURRENT ASSETS:	
Property, plant and equipment	443,838
Accumulated depreciation	(374,003)
Total Non-Current Assets	<u>69,835</u>
TOTAL ASSETS	<u><u>\$209,849</u></u>
 LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable	\$5,646
Accrued wages/taxes	550
Due to other funds	249
Total Current Liabilities	<u>6,445</u>
Total Liabilities	<u>6,445</u>
NET ASSETS	
Investment in capital assets, net of related debt	69,835
Unreserved	133,569
TOTAL NET ASSETS	<u>203,404</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$209,849</u></u>

The accompanying notes are an integral part of the financial statements.

STANNARD TOWNSHIP
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN
NET ASSETS - PROPRIETARY FUNDS TYPE
Year ended March 31, 2008

Business type Activities - Enterprise Fund	
	<u>Total</u>
Operating revenues:	
Charges for services	\$36,668
Total Operating Revenues	<u>36,668</u>
Operating expenses:	
Wages and taxes	4,904
Operating supplies	77
Provision for depreciation	11,215
Insurance	1,078
Repairs and maintenance	882
Utilities	1,985
Administrative expenses:	
Wages and taxes	2,584
Office supplies	980
Professional fees	7,280
Transportation	111
Printing and publications	622
Total Operating Expenses	<u>31,718</u>
Operating income (loss)	4,950
Non-operating revenues (expenses)	
Interest income	2,991
Sewer assessment	3,771
	<u>6,762</u>
Change in Net Assets	<u>11,712</u>
Net Assets - March 31, 2007	<u>191,692</u>
NET ASSETS – MARCH 31, 2008	<u><u>\$203,404</u></u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS TYPES
 STANNARD TOWNSHIP
 Year ended March 31, 2008

Business type Activities - Enterprise Fund

	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$33,081
Payments to employees and suppliers for goods and services	(15,132)
Net Cash Provided (Used) by Operating Activities	<u>17,949</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Sewer assessment	<u>3,771</u>
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>3,771</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received on investments	<u>2,991</u>
Net Cash Provided (Used) by Investing Activities	<u>2,991</u>
Net Increase (Decrease) in Cash	<u>24,711</u>
Cash and Cash Equivalents, March 31, 2007	<u>94,422</u>
CASH AND CASH EQUIVALENTS, March 31, 2008	<u>\$119,133</u>
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	\$4,950
Adjustments to reconcile income (loss) to net cash provided (used) by operating activities:	
Depreciation/amortization	11,215
Change in assets and liabilities:	
Accounts receivable	(3,587)
Accrued interest income	(26)
Deferred charges	(79)
Accounts payable	5,476
Accrued wages/taxes	
Net Cash Provided by Operating Activities	<u>\$17,949</u>

Noncash investing, capital and financing activities: None

The accompanying notes are an integral part of the financial statements

STANNARD TOWNSHIP
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
Year ended March 31, 2008

Agency Funds			
	<u>Tax Fund</u>	<u>Pension Fund</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$12	\$21,792	\$21,804
Due from other funds			
TOTAL ASSETS	\$12	\$21,792	\$21,804
LIABILITIES			
Due to other funds	\$12		\$12
TOTAL LIABILITIES	12		12
NET ASSETS			
Held in trust for pension benefits		21,792	21,792
NET ASSETS		21,792	21,792
TOTAL ASSETS AND NET ASSETS	\$12	\$21,792	\$21,804

The accompanying notes are an integral part of the financial statements

STANNARD TOWNSHIP
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION FUND
Year ended March 31, 2008

		Agency Funds
<hr/>		
	ADDITIONS	
Contributions		\$2,800
Interest income		688
Total Additions		<u>3,488</u>
	DEDUCTIONS	
Benefits		<u> </u>
Changes in Net Assets		3,488
Net Assets at Beginning of Year		<u>18,304</u>
Net Assets at End of Year		<u>\$21,792</u>

The accompanying notes are an integral part of the financial statements

STANNARD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The Stannard Township operates with an elected board of trustees, which includes a supervisor, clerk and treasurer. The Township provides to its residents, services in many areas including public safety, highways and streets, sanitation, culture and recreation, planning and zoning, and general administrative services.

The Township complies with accounting principles (GAAP) generally accepted in the United States of America. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements are the fund financial statements for the proprietary funds. Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Township the option of electing to apply FASB pronouncements issued after November 30, 1989. The Township has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

Reporting Entity

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the Local Unit (primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on these criteria, the Township has no component units.

Basis of Presentation

The Statement of Net Assets and Statement of Activities display information about the reporting as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

STANNARD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Township or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds in that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

General Fund - is the primary operating fund of the Township and always classified as a major fund. This fund is used to account for all financial resources except those legally or administratively required to be accounted for in another fund.

Fire Fund (Special Revenue Fund) – is used to account for fire fund activities and is recognized as a major fund. A separate tax levy has been approved to fund capital outlays and debt service payments.

PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds report operations that provide services, which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes. The funds are used to account for utility operations in a manner similar to private business enterprises. The intent of the Township is to recover operating expenses, including depreciation, through user charges.

STANNARD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

FIDUCIARY FUND TYPE (Not included in government-wide statements)

Agency Funds - These funds are used to account for assets held by the Township in a trustee capacity or as an agent for other governments and/or other funds. They include the Tax Collection Fund and the Pension Fund. These funds are custodial in nature and do not involve measurement of results of operations. The Pension Fund is a trust fund used to account for the accumulation of resources to be used for the retirement benefit payments to retired board members.

MAJOR AND NONMAJOR FUNDS

The governmental and enterprise funds of the Township are further classified as major funds as follows:

<u>Fund</u>	<u>Brief Description</u>
<u>MAJOR FUNDS</u>	
1. General	See above for description.
2. Fire	Account for special tax levies and grant and loan proceeds in the purchase of fire equipment.
3. Sewer	Account for revenues and expenses of providing public Sewer services.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

STANNARD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

b. The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the enterprise funds are charged to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end except for State Shared Revenues collected after sixty days which are earmarked for the period under audit. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used.

Granting of Credit

The General Fund grants credit to the State of Michigan and various units of government and individuals. The Township also extends credit to its utility customers on a routine basis.

STANNARD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposits of the Township. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the government-wide financial statements. Exceptions to this general rule are charges between the government's sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. See Note E for details of interfund transactions, including receivables and payable at year-end.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, delinquent property and tax administrative fees. Business-type activities report utilities earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include service revenue accruals since they are usually both measurable and available. Interest and investment earnings are recorded when accrued. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received and refund on overpayment of debt service payment. Utility accounts receivable compose the majority of proprietary fund receivables. No allowances for uncollectible accounts receivable are recognized since any delinquencies can be placed upon the tax roll.

Inventories

Inventories of Governmental Fund and Proprietary Fund types are considered to be immaterial and are not recognized. All purchases of supplies are expensed upon purchase.

STANNARD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Prepaid Expenses

Prepaid expenses are amounts paid for insurances, pensions and membership fees of which a future benefit will be derived.

Fixed Assets

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the government as assets with initial individual costs of \$2,000 and \$500 for capital betterments and equipment additions. All fixed assets are valued at historical costs or estimated cost, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Capital assets for proprietary funds are recognized on assets costing over \$250 and with a useful life of over three years. The Township, in adopting GASB 34, elects to recognize capital assets acquisitions as described above effective as of April 1, 2004. The Township otherwise has not maintained a listing of government fund assets on prior years acquisitions. Infrastructure improvements costing over \$5,000 are being capitalized effective April 1, 2004. Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets for governmental funds.

Depreciation has been provided over the useful lives using the straight-line method of depreciation.

The estimated useful lives for each major class of depreciable fixed assets are as follows:

Land	Not depreciated
Buildings and improvements	40-50 Years
Utility Systems	40 Years
Equipment	7-10 Years
Vehicles	20 Years
Infrastructure (ROW)	20 Years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Depreciation of exhaustible fixed assets used by proprietary funds is charged as an expense against operations, and accumulated depreciation is reported on the proprietary funds' statement of net assets. Depreciation has been provided over the useful lives using the straight-line method of depreciation.

STANNARD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Reserved Assets

Reserved assets include cash and investments that are legally restricted as to their use. The primary restricted assets are related to cash accounts established to be used for capital outlay projects.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of note payable to USDA Rural Development. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When both restricted and unrestricted resources are available for use, it is the Township’s policy to use restricted resources first, then unrestricted resources as they are needed.

STANNARD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Fund Statement

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Proprietary fund equity is classified the same as in the government-wide statements.

Scope of Reporting Entity

In accordance with the provisions of the Governmental Accounting Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and components units, with the exception of fire department fund raising activities that are controlled by the fire department with no disclosure to the governing Township Board.

Property Taxes

Property taxes attach as an enforceable lien on property as of December 31. Taxes are levied on the ensuing December 1. The Township bills and collects its own property taxes and also collects current rolls for the County and School District. The Township records delinquent real property taxes as revenue upon levy; since the County will sell tax notes and remits monies to the various units of government shortly after year end.

Budgets

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the proposed budget for each budgetary fund is submitted to the Township Board for consideration. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is held at the annual Township Board meeting to obtain taxpayers comments.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted prior to the fiscal year by the majority vote of the Township Board.
5. The budgets are adopted on the accrual basis of accounting.

STANNARD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

6. Any revisions to the budgeted amounts must be approved by a majority vote of the Township Board.
7. Budget appropriations lapse at the end of each fiscal year.
8. Budgeted amounts presented in the financial statements are as originally adopted and amended by the Township Board.

Formal budgets for all special revenue funds were available. Budgets were adopted for the Proprietary Fund type, but are not required.

Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the Proprietary Fund Type consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Interest Expense

Interest on bonded indebtedness is recorded as an expenditures as accrued.

Interest Receivables

Interest on investments is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

Due to and Due from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

STANNARD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods, and/or services. It also includes are revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

Expenditures/Expenses

In government-wide financial statements, expenses are classified by function for governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character:	Current (further classified by function)
	Debt Service
	Capital Outlay
Proprietary Fund – By Operating and Non-operating	

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

NOTE B – CASH AND INVESTMENT INFORMATION

Statutes authorize the Township to deposit cash in financial institutions covered by federal depository insurance and to invest in obligations of the United States Treasury, agencies and instrumentalities; commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services: United States government or agency obligation repurchases agreements; bankers' acceptances of United States banks; certain mutual funds and certain common stocks. All accounts are in the two banks in the name of the Township. They are recorded in the Township records at cost. The Township's investments are in accordance with statutory authority. Interest is recorded when the interest is accrued.

STANNARD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

In accordance with GASB Statement No. 3, risk disclosure for bank deposits at March 31, 2008:

a	Insured or collateralized with securities held by the entity or by its agent in the entities name.	\$193,540
b	Collateralized with securities held by the pledging trust department or agent in the entity name.	
c	Uncollateralized (This includes any bank balance that is collateralized with securities held by the pledging financial institution, or its trust department or agent but not in the entity's name.	128,762
d	Cash on hand	
	Subtotal	322,302
	Less outstanding checks	(18,295)
	Balance at March 31, 2008	\$304,007

The Township's deposits are in accordance with statutory authority.

Pension Trust Fund investments of \$18,304 were invested in accordance with State of Michigan statutes. Market value at March 31, 2008, was equal to carrying value. The investments are not subject to categorization of credit risk.

NOTE C - ACCOUNTS RECEIVABLE

Accounts receivable and related allowances for uncollectible as of March 31, 2008 are as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Allowance</u>	<u>Net</u>
General Fund	\$20,653	\$	\$20,653
Sewer Fund	\$19,884	\$	\$19,884
Fire Fund-SRF	\$1,944	\$	\$1,944

General Fund - generally consists of delinquent tax monies and administrative fees; and state shared revenues. The Fire Fund account receivable consists of federal grant monies and delinquent tax monies. Proprietary Funds - customer unpaid balances. Trade accounts receivable were comprised of the following at March 31, 2008.

Customer billing for the quarter ended March 2008	\$10,846
Delinquent billings and sewer assessments	8,160
Total	\$19,006

STANNARD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Delinquent customer account balances are placed on tax rolls and can be a lien against real property. Receivables are considered to be fully collectible and accordingly, there is no allowance for doubtful accounts.

NOTE D - SUMMARY OF 2007 TAX LEVY

Details of the Township's 2007 property tax levy are as follows:

	<u>Tax Levy</u>	<u>Delinquent Taxes</u>	<u>Net Collected</u>
County/SET	\$414,600	\$64,022	\$350,578
School	312,726	49,275	263,451
Township/ambulance	37,259	6,277	30,982
CFR	4,341	605	3,736
Delinquent utilities	9,633	8,160	1,473
Sewer Assessments	3,771	877	2,894
Totals	<u>\$782,330</u>	<u>\$129,216</u>	<u>\$653,114</u>

Taxable valuation - (excluding commercial forest
reserve lands):

Real property	\$16,858,796
Personal property	<u>1,914,750</u>
	<u>\$18,773,546</u>

Tax rate per \$1,000 valuation:

Township	\$ 1.9769
County	18.7109
Schools	<u>27.6549</u>
	<u>\$ 48.3427</u>

STANNARD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE E - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables at March 31, 2008, are as follows:

<u>Funds</u>	<u>Interfund Receivable</u>	<u>Funds</u>	<u>Interfund Payable</u>
General-		Tax Fund-	
Tax Fund	\$12	General Fund	\$12
SRF-Fire Fund-		Sewer Fund-	
Sewer Fund	249	Fire Fund	249
General Fund	709	General Fund-	
		Fire Fund	709
Totals	<u>\$970</u>	Totals	<u>\$970</u>

All amounts are due within one year. The principal purpose of these interfunds result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE F- CAPITAL ASSETS

A summary of changes in general fixed assets follow:

Governmental Activities	Balance at <u>March 31, 2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>March 31, 2008</u>
Land	\$	\$3,250	\$	\$3,250
Capital Assets being Depreciated				
Buildings and improvements	18,570			18,570
Fire Vehicles	362,046			362,046
Equipment	63,516	3,575		67,091
Software	2,395			2,395
Infrastructure-roads	30,967			30,967
	<u>477,494</u>	<u>6,825</u>		<u>481,069</u>
Less Accumulated Depreciation	(20,712)	(27,024)		(47,736)
Net	<u>\$456,782</u>	<u>(\$20,199)</u>	\$	<u>\$436,583</u>

Depreciation expense was charged to programs of the primary government as follows:

General Government	\$ 997
Public Safety	24,250
Public Works	1,548
Recreation & Culture	229
Totals	<u>\$27,024</u>

STANNARD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE G - ENTERPRISE FUNDS – CAPITAL ASSETS

A summary of proprietary fund type property, plant and equipment are as follows:

Sewer Fund:				
Business-Type Activities	Balance at			Balance at
	<u>March 31, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>March 31, 2008</u>
Capital Assets not Depreciated				
Land and land rights	\$2,000	\$	\$	\$2,000
Capital Assets being Depreciated				
Utility plant	429,791			429,791
Equipment	12,047			12,047
Subtotals	441,838		\$	\$441,838
Less Accumulated Depreciation	(362,788)	(11,215)		(374,003)
Net Capital Assets Being Depreciated	79,050	(11,215)		67,835
Net	\$81,050	(\$11,215)	\$	\$69,835

Depreciation is computed using the straight-line method.

Depreciation Expense 2007/2008 \$11,215

NOTE H - ACCOUNTS PAYABLE

The General Fund account payables of \$4,559 were for normal operating expenditures. The Proprietary Fund accounts payable include unpaid engineering fees of \$5,500 besides normal operating and repairs and maintenance at year end.

NOTE I - LIQUOR LICENSE REBATES

The Township did not receive any State Shared Revenues in defraying the liquor law enforcement costs incurred of \$1,200. The Township enacted an ordinance to enforce liquor law requirements making them eligible to received State Shared Revenues in the future. No separate fund has been established since enforcements costs are being paid by the General Fund.

NOTE J – LONG-TERM DEBT

A summary of the changes in long-term debt for the year ended March 31, 2008, is as follows:

	Balance at	<u>Additions</u>	<u>Reductions</u>	Balance at
	<u>March 31, 2007</u>			<u>March 31, 2008</u>
Bonds payable	\$142,500	\$	\$7,500	\$135,000

STANNARD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

On August 16, 2005, the Township issued \$150,000 in municipal bonds purchased by USDA Rural Development to finance the purchase of a fire truck. The bonds bear an interest rate of 4.125% and are being amortized over a 15-year period. The bonds are a general obligation of the Township and have pledged its limited tax full faith and credit in the repayment of the indebtedness. The first principal payment was made on May 1, 2006. The debt service payment schedule is as follows:

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
11/1/2008	\$8,000	\$5,568	\$13,568
11/1/2009	8,000	5,239	13,239
11/1/2010	8,500	4,909	13,409
11/1/2011	9,000	4,558	13,558
11/1/2012	9,500	4,187	13,687
11/1/2013	9,500	3,795	13,295
11/1/2014	10,500	3,403	13,903
11/1/2015	11,000	2,970	13,970
11/1/2016	11,500	2,516	14,016
11/1/2017	12,000	2,042	14,042
11/1/2018	12,500	1,547	14,047
11/1/2019	12,500	1,031	13,531
11/1/2020	12,500	516	13,016
	<u>\$135,000</u>	<u>\$42,281</u>	<u>\$177,281</u>

NOTE K - FUND BALANCE DESIGNATIONS

Reservations of fund balances represent amounts that are legally segregated for a specific purpose. Designations of fund balance of \$26,693 and \$1,877 represent monies restricted for future road repairs and building code enforcement activities.

NOTE L – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Public Act of 275 of 1980 Disclosure

The Township did not have any funds with a net asset deficiency as of March 31, 2008.

STANNARD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE M - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Township provides sewage services through an enterprise fund. Segment information as of March 31, 2008, follows:

	<u>Sewage System Fund</u>
Operating revenues	\$36,668
Total operating expenses less depreciation	\$20,503
Depreciation expense	\$11,215
Operating income (loss)	\$4,950
Operating transfers	
Non-operating income and expenses	\$6,762
Capital contributions	
Increase (decrease) in capital assets	
Long term debt	
Unrestricted net assets	\$133,569

NOTE N - DEFINED CONTRIBUTION PENSION

The Township established a money purchase pension plan effective July 1, 1991, recognized by the Internal Revenue Service, for elected officials. The plan is administered by Township Clerk and provides immediate coverage for individuals age 18 and above. The Township makes timely contributions equal to twelve percent of the officer's salaries, which allows for immediately vesting. Loans are not permitted to the participants. The Township Supervisor and Clerk are authorized Trustees of the plan. Total pension expense and administrative fees were \$2,800 for the fiscal year ending March 31, 2008, whereas, the \$21,792 represents fair market value at year end. Additional information was not available for disclosure as required by GASB Statement No. 25.

NOTE O - RISK MANAGEMENT

The Township is exposed to various risks of losses related to tort; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained general liability; physical damage to property, equipment and contents, wrongful acts, auto liability, crime and electronic processing insurance coverage as a member in the Michigan Township Participating Plan (MTTP). The MTTP is a self-

STANNARD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

insurance association that secures insurance policies or reinsurance treaties to cover the risk undertaken on behalf of the Township and other member municipalities. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of the deductible amounts. The Township has comprehensive general liability of \$2,000,000 /\$3,000,000 aggregate limit, with no deductible amount. The deductible is \$250-500 per occurrence for auto, property and electronic data processing.

All risk management activities are accounted for in the General Fund of the Township. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the Township as of March 31, 2008, will not materially affect the financial condition of the Township. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past five years.

NOTE P – STATE CONSTRUCTION CODE ACT INFORMATION

During the year ended March 31, 2008, the Township collected construction code service fees of \$4,975 and spent \$3,842 for enforcing the code. Because of the Township has the ability to track the full costs and revenues, a separate fund has not been created to account for these monies. The Township has restricted \$1,877 in their General Fund balance for future code enforcement activities.

REQUIRED
SUPPLEMENTAL
INFORMATION

STANNARD TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE- BUDGET TO ACTUAL
GENERAL FUND

Year ended March 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Favorable</u> <u>(Unfavorable)</u>
REVENUES				
Taxes	\$15,000	\$15,000	\$17,927	\$2,927
Other taxes	2,820	2,820	923	(1,897)
Tax administrative fees	7,400	7,400	10,445	3,045
Federal shared revenues	10,000	10,000	8,900	(1,100)
State shared revenues	58,000	58,000	60,286	2,286
Liquor license fees	1,200	1,200		(1,200)
Building permits	5,000	5,000	4,975	(25)
Charges for services			1,650	1,650
Rentals	8,300	8,300	6,347	(1,953)
Interest	2,500	2,500	3,587	1,087
Donations	5,000	5,000	25,000	20,000
Sale of assets	1,200	1,200	4,010	2,810
Other revenue	6,100	6,100	1,445	(4,655)
	<u>122,520</u>	<u>122,520</u>	<u>145,495</u>	<u>22,975</u>
EXPENDITURES				
Legislative	24,200	24,200	18,406	5,794
General government	47,885	47,885	48,423	(538)
Public safety	20,150	20,150	16,870	3,280
Public works	6,500	6,500	5,968	532
Recreation and culture	9,900	9,900	13,483	(3,583)
Other	5,000	5,000	3,831	1,169
Capital outlay	14,000	14,000	3,250	10,750
	<u>127,635</u>	<u>127,635</u>	<u>110,231</u>	<u>17,404</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>(5,115)</u>	<u>(5,115)</u>	<u>35,264</u>	<u>40,379</u>
OTHER FINANCING SOURCES (USES)				
Transfers to/from other funds	4,000	4,000		(4,000)
EXCESS OF REVENUES (EXPENDITURES) AND OTHER FINANCING USES	<u>(1,115)</u>	<u>(1,115)</u>	<u>35,264</u>	<u>36,379</u>
Fund Balance at 3/31/2007	136,618	136,618	136,618	
FUND BALANCE 3/31/2008	<u>\$135,503</u>	<u>\$135,503</u>	<u>\$171,882</u>	<u>\$36,379</u>

The accompanying notes are an integral part of the financial statements.

OTHER
FINANCIAL
INFORMATION

STANNARD TOWNSHIP
MAJOR GOVERNMENTAL FUND-GENERAL FUND
STATEMENT OF EXPENDITURES
BUDGET AND ACTUAL
For the year ended March 31, 2008

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
LEGISLATIVE				
Township Board:				
Trustees Wages			\$2,300	
Pension			2,800	
Office supplies			620	
Professional fees			828	
Transportation			54	
Insurance			9,926	
Printing and publications			474	
Memberships			385	
Training and education			265	
Miscellaneous			754	
TOTAL LEGISLATIVE	\$24,200	\$24,200	\$18,406	\$5,794
GENERAL GOVERNMENT				
Supervisor:				
Wages			4,800	
Miscellaneous			83	
TOTAL SUPERVISOR	4,800	4,800	4,883	(83)
Election:				
Wages			672	
Office supplies			210	
Transportation			91	
Miscellaneous			50	
TOTAL ELECTION	1,025	1,025	1,023	2
Assessor:				
Wages			6,210	
Office supplies			419	
Transportation			116	
Printing & publishing			3,262	
TOTAL ASSESSOR	9,750	9,750	10,007	(257)

The accompanying notes are an integral part of the financial statements.

STANNARD TOWNSHIP
MAJOR GOVERNMENTAL FUND-GENERAL FUND
STATEMENT OF EXPENDITURES
BUDGET AND ACTUAL
For the year ended March 31, 2008

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Clerk:				
Salary			6,600	
Supplies			576	
Professional fees			3,800	
TOTAL CLERK	10,500	10,500	10,976	(476)
Board of Review:				
Wages			700	
Miscellaneous			126	
BOARD OF REVIEW	700	700	826	(126)
Treasurer:				
Salary			7,450	
Office supplies			461	
Transportation			72	
TOTAL TREASURER	9,200	9,200	7,983	1,217
Township Properties:				
Wages			596	
Supplies			239	
Communications			453	
Utilities			2,113	
Repair & maintenance			4,469	
TOTAL TOWNSHIP PROPERTIES	7,010	7,010	7,870	(860)
Cemetery:				
Wages			2,066	
Contractual cost			2,000	
Repairs & maintenance			519	
Miscellaneous			270	
TOTAL CEMETARY	4,900	4,900	4,855	55
TOTAL GENERAL GOVERNMENT	\$47,885	\$47,885	\$48,423	(\$538)

The accompanying notes are an integral part of the financial statements.

STANNARD TOWNSHIP
MAJOR GOVERNMENTAL FUND-GENERAL FUND
STATEMENT OF EXPENDITURES
BUDGET AND ACTUAL
For the year ended March 31, 2008

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
PUBLIC SAFETY				
Fire Department:				
Wages			3,377	
Supplies			629	
Repairs and maintenance			447	
Insurance			737	
Public utilities			3,610	
Training			2,028	
Miscellaneous			374	
TOTAL FIRE DEPARTMENT	14,550	14,550	11,202	3,348
LIQUOR ENFORCEMENT	1,300	1,300	1,200	100
INSPECTIONS	3,600	3,600	3,842	(242)
ZONING BOARD	700	700	626	74
TOTAL PUBLIC SAFETY	\$20,150	\$20,150	\$16,870	\$3,280
PUBLIC WORKS				
Street lighting	6,500	6,500	5,968	593
TOTAL PUBLIC WORKS	\$6,500	\$6,500	\$5,968	\$532
RECREATION & CULTURE				
Parks:				
Wages			4,621	
Public utilities			1,884	
Repairs & maintenance			1,973	
Community promotions			4,800	
Miscellaneous			205	
TOTAL RECREATION AND CULTURE	\$9,900	\$9,900	\$13,483	(\$3,583)

The accompanying notes are an integral part of the financial statements.

STANNARD TOWNSHIP
MAJOR GOVERNMENTAL FUND-GENERAL FUND
STATEMENT OF EXPENDITURES
BUDGET AND ACTUAL
For the year ended March 31, 2008

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
TOTAL OTHER	\$5,000	\$5,000	\$3,831	\$1,169
CAPITAL OUTLAY				
Land acquisition	4,000	4,000	3,250	750
Road improvements	10,000	10,000		10,000
TOTAL CAPITAL OUTLAY	\$14,000	\$14,000	\$3,250	\$10,750
TOTAL EXPENDITURES	\$127,635	\$127,635	\$110,231	\$17,404
TRANSFERS TO OTHER FUNDS	\$	\$	\$	\$

The accompanying notes are an integral part of the financial statements

STANNARD TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
MAJOR FUND
FIRE FUND

Year ended March 31, 2008
Special Revenue Fund

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Revenues:				
Property taxes	\$15,000	\$15,000	\$16,422	\$1,422
Federal shared revenues			6,175	6,175
State shared revenues			975	975
Donations			353	353
Interest income			4	4
	<u>\$15,000</u>	<u>\$15,000</u>	<u>23,929</u>	<u>\$8,929</u>
Expenditures:				
Public safety equipment			3,575	(3,575)
Operating supplies			2,954	(2,954)
Debt service				
Principal	10,000	10,000	7,500	2,500
Interest expense	4,000	4,000	5,723	(1,723)
	<u>14,000</u>	<u>14,000</u>	<u>19,752</u>	<u>(5,752)</u>
Excess of Revenues over (under) Expenditures	1,000	1,000	4,177	3,177
Other Financing Sources (Uses):				
Transfers from/to other funds				
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	1,000	1,000	4,177	3,177
Fund Balance 3/31/2007	<u>33,261</u>	<u>33,261</u>	<u>33,261</u>	
FUND BALANCE 3/31/2008	<u>\$34,261</u>	<u>\$34,261</u>	<u>\$37,438</u>	<u>\$3,177</u>

The accompanying notes are an integral part of the financial statements

Roger J. Kolehmainen PC CPA
1445 East Cloverland Drive
Ironwood, MI 49938
(906) 906-3600

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS*

Supervisor and Members of the Board
Stannard Township
Bruce Crossing, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Stannard Township as of and for the year ended March 31, 2008, which collectively comprise the Stannard Township's basic financial statements and have issued our report thereon dated September 17, 2008. We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Stannard Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Stannard Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Stannard Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Stannard Township's ability to initiate, authorize, record, process, or report financial data reliably in

accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Stannard Township's financial statements will not be prevented or detected by Stannard Township's internal control. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.


A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Stannard Township's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described in the Schedule of Findings, we consider items 2005-1 and 2005-2 to be a material weakness.

Compliance

As part of obtaining reasonable assurance about whether Stannard Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreement, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance that is required to be reported under *Government Auditing Standards*.

This report is intended solely for the use of management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Members of the Board, is a matter of public record.



Roger J. Kolehmainen PC
Certified Public Accountant

September 17, 2008

SCHEDULE OF FINDINGS STANNARD TOWNSHIP

Year ended March 31, 2008

2005-1 Property Ledger

The Township has not implemented physical inventorying procedures in assuring the accuracy of assets being reported upon besides smaller capital items acquired in prior years. The Township lacks a formal, updated, comprehensive listing of all assets owned by the Township.

Without performing a physical inventory, the Township has no assurances as their actual holdings or if they are adequately insured against various types of losses.

2005-2 Fire Department Fund Raising Account

The Township's Fire Department fund raising activities pursued in the Township's name and deposited into another bank account, will need to be included in the Township's annual audit unless a separate legal entity has been utilized and recognized as being eligible to receive such monies.

Besides not accounting for all Township monies, the fund raising activities may not be covered under the Township's insurance policy since their electing to operate outside of the Township Board's oversight.

07-1 Ability to Prepare Financial Statements and Related Note Disclosures

Like entities of similar size, limited financial summaries and abbreviated financial statements are made available for the Supervisor and Members of the Board. The Township relies on its auditors to draft its financial statements and related disclosures in accordance with generally accepted accounting principles. Supervisor and Members of the Board review and accept the financial statements on behalf of the Township. The hiring of additional personnel to prepare the financial statements would not be cost effective. Members of the Board should remain involved in the financial statement process to provide an oversight and independent review functions.

The Township plans to continue use the auditor's assistance in drafting its financial statements and related note disclosures besides remaining involved in the financial reporting process.